

## § 1.481-5

## 26 CFR Ch. I (4-1-03 Edition)

amount of the adjustments under section 481. See section 481(c). Requests for approval of an alternative method of allocation shall set forth in detail the facts and circumstances upon which the taxpayer bases its request. Permission will be granted only if the taxpayer and the Commissioner agree to the terms and conditions under which the allocation is to be effected. See § 1.446-1(e) for the rules regarding how to secure the Commissioner's consent to a change in method of accounting.

(b) An agreement to the terms and conditions of a change in method of accounting under § 1.446-1(e)(3), including the taxable year or years prescribed by the Commissioner under that section (or an alternative method described in paragraph (a) of this section) for taking the amount of the adjustments under section 481(a) into account, shall be in writing and shall be signed by the Commissioner and the taxpayer. It shall set forth the items to be adjusted, the amount of the adjustments, the taxable year or years for which the adjustments are to be taken into account, and the amount of the adjustments allocable to each year. The agreement shall be binding on the parties except upon a showing of fraud, malfeasance, or misrepresentation of material fact.

[T.D. 8608, 60 FR 40079, Aug. 7, 1995]

### § 1.481-5 Effective dates.

Sections 1.481-1, 1.481-2, 1.481-3, and 1.481-4 are effective for Consent Agreements signed on or after December 27, 1994. For Consent Agreements signed before December 27, 1994, see §§ 1.481-1, 1.481-2, 1.481-3, 1.481-4, and 1.481-5 (as contained in the 26 CFR part 1 edition revised as of April 1, 1995).

[T.D. 8608, 60 FR 40079, Aug. 7, 1995]

### § 1.482-0 Outline of regulations under 482.

This section contains major captions for §§ 1.482-1 through 1.482-8.

#### *§ 1.482-1 Allocation of income and deductions among taxpayers.*

- (a) In general.
- (1) Purpose and scope.
- (2) Authority to make allocations.

- (3) Taxpayer's use of section 482.
- (b) Arm's length standard.
- (1) In general.
- (2) Arm's length methods.
- (i) Methods.
- (ii) Selection of category of method applicable to transaction.
- (c) Best method rule.
- (1) In general.
- (2) Determining the best method.
- (i) Comparability.
- (ii) Data and assumptions.
- (A) Completeness and accuracy of data.
- (B) Reliability of assumptions.
- (C) Sensitivity of results to deficiencies in data and assumptions.
- (iii) Confirmation of results by another method.
- (d) Comparability.
- (1) In general.
- (2) Standard of comparability.
- (3) Factors for determining comparability.
- (i) Functional analysis.
- (ii) Contractual terms.
- (A) In general.
- (B) Identifying contractual terms.
- (1) Written agreement.
- (2) No written agreement.
- (C) Examples.
- (iii) Risk.
- (A) In general.
- (B) Identification of party that bears risk.
- (C) Examples.
- (iv) Economic conditions.
- (v) Property or services.
- (4) Special circumstances.
- (i) Market share strategy.
- (ii) Different geographic markets.
- (A) In general.
- (B) Example.
- (C) Location savings.
- (D) Example.
- (iii) Transactions ordinarily not accepted as comparables.
- (A) In general.
- (B) Examples.
- (e) Arm's length range.
- (1) In general.
- (2) Determination of arm's length range.
- (i) Single method.
- (ii) Selection of comparables.
- (iii) Comparables included in arm's length range.
- (A) In general.
- (B) Adjustment of range to increase reliability.
- (C) Interquartile range.
- (3) Adjustment if taxpayer's results are outside arm's length range.
- (4) Arm's length range not prerequisite to allocation.
- (5) Examples.
- (f) Scope of review.
- (1) In general.
- (i) Intent to evade or avoid tax not a prerequisite.